

# Speech: Exchequer Secretary's speech Launching Transforming Infrastructure Performance and Transport Infrastructure Efficiency Strategy

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## **Introduction**

Thank you Robert.

It is an absolute pleasure to be here today (6 December 2017).

Not just because we are kick-starting a new and exciting agenda, but also because I get to launch it with my former boss, colleague and friend from the Department for Transport.

Thank you Minister for joining us.

Some of you in the room may already know me from my time at Transport.

And, despite my move to the Treasury, I am still essentially looking at the same question; how can infrastructure help us to grow our economy and boost productivity?

The new government programmes, [Transforming Infrastructure Performance](#) and the Transport Infrastructure Efficiency Strategy, that we are launching today form part of the answer.

But let me start by emphasising that I believe we are living through a new age.

It used to be that government would ask the question – why should we invest in infrastructure?

Now government asks – how can we best deliver that investment? And how can we realise the benefits of this investment quicker?

## **Productivity challenge**

Infrastructure has a vital role to play in boosting our national productivity.

Productivity growth has slowed across all advanced economies since the financial crisis.

But the OBR's recent downgrade of the productivity forecast reflects a long-term trend for the UK.

This is a challenge that has been decades in the making.

A challenge we urgently need to tackle.

For context, if we raise productivity growth by even one quarter of a percent on a sustained basis, we would add £56 billion to GDP. This in turn would raise wages and increase peoples' quality of life.

The productivity problem extends to all parts of the economy. In construction, we know that we face approximately a £15 billion productivity gap every year.

If we can make strides in closing this gap – transforming this sector into one which is closer to, say, manufacturing, which saw a 68% increase in its productivity over the last 20 years – I believe we will be able to meet this challenge head on.

For a sector that contributes 8% to the economy, small productivity gains could have a phenomenal impact.

We want construction to be more like the high tech manufacturing and automotive industries which have invested in R&D and automation and, in return, have benefitted from high productivity growth.

## **Record levels of investment**

Our recognition of what infrastructure can do for us is one of the reasons this government is investing at record levels.

We have already committed to a 50% increase in transport investment between 2015 and 2020.

We have extended the National Productivity Investment Fund to £31 billion, targeting investment at regional growth, improving transport links and building new houses in high demand areas.

We have also accepted the National Infrastructure Commission's recommendations to take action on the Oxford to Cambridge Corridor, investing up to £1 billion on East West Rail and agreeing a new housing deal with Oxfordshire that will deliver 100,000 homes by 2031.

The Infrastructure and Projects Authority (IPA) estimate that over the next 10 years, we expect to see total public and private investment to hit £600 billion.

This £600 billion National Infrastructure and Construction Pipeline includes a planned pipeline of investment valued at £462 billion.

Over £240 billion of which we expect to realise by the end of 2021.

In order to realise the benefits of all of this investment, we have to make sure we can deliver these projects as effectively and efficiently as possible.

Our plans have to be delivered on time and on budget.

As set out in the [Industrial Strategy](#), improving delivery is a key pillar of the government's strategy to build the modern and efficient infrastructure, which will support the economy and boosts productivity.

## **Delivery record**

We already have a delivery track record that we should all be extremely proud of.

Since 2010 we have delivered over 4,500 projects.

One project this year which I am particularly enthusiastic about is the Manchester Ordsall Chord, part of the Northern Hub.

It's a new and important link between Manchester Piccadilly and Victoria stations, generating new routes from Newcastle to Manchester Airport and enabling people to get into Manchester 30 minutes faster than before.

We also completed the new Francis Crick Institute this year, one of Europe's largest centres of biomedical research.

Its use of BIM [pronounced "bim", as in "tin"] enabled us to quickly design a new bespoke building, taking into account the complex site and sensitivity of the research.

The new M1/M6 Junction 19 improvement works is a £191 million project that was completed ahead of schedule, reducing congestion and creating new routes for people in the East Midlands.

This is a legacy we can build on, through the publication of these two new programmes today.

## **Improving delivery**

[Transforming Infrastructure Performance](#) (TIP) sets out how the government will improve the performance of infrastructure and boost productivity in both delivery and operation.

It's an ambitious plan to transform infrastructure delivery over the long-term, using the government's influence to drive modern methods of construction so Britain can lead the world in high-tech building.

It's a plan which will signify a shift from focusing on driving down costs in the short term, to delivering value for taxpayers in the long term.

We want building infrastructure to deliver benefits for both the supply chain and for its end users, the public.

The Transport Infrastructure Efficiency Strategy (TIES) will ensure these plans translate into real change for the UK's biggest infrastructure sector.

Transport equates to 95% of all government spend on economic infrastructure – so it is important we get it right!

Through TIES we have nearly all transport delivery agencies on board. So we are halfway there already!

Our recent Budget announcement for a presumption in favour of offsite construction is already a significant milestone. It's a concept pioneered by HS2, and we now want to see it applied much further across government projects.

We have agreed with five of the biggest spending departments that their infrastructure projects would buy modern methods of construction wherever that delivers the right benefits and provides value for money to taxpayers.

We are creating the stable, critical mass that is needed to generate investment in modern methods and that industry has been asking for.

It also shows how government projects can be at the forefront of innovation.

TIP will support the policies announced at Budget aimed at improving construction project delivery.

These include £40 million announced to scale up innovative regional training models and £170 million allocated to help commercialising cutting edge digital and manufacturing technologies.

The government is bought in.

But for it to work, we know it will require investment in innovation and new thinking from within the sector too.

Through the Construction Sector Deal and stewardship of Andrew Wolstenholme, I believe we will start to see these changes come to fruition and the construction industry modernise.

We have already seen this happen in other parts of the economy, so I see no reason why we can't see the same for construction.

## **Conclusion**

But all of this gives me great hope.

Hope that instead of building less for more as we used to, we can start building more for less.

Hope that, by harnessing new technology and modern methods of delivery, we can have a thriving supply chain that is world leading and a delivery track record that is maintained.

Hope that, by government and industry coming together, we will begin to drive the transformation of the construction sector that we all want to see.

Thank you.